

YOHO
RESOURCES

2005 ANNUAL REPORT

Corporate Profile

Yoho Resources Inc. is a Calgary-based oil and gas exploration company operating within the Western Canadian Sedimentary Basin and initially focusing on the Peace River Arch.

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President's Message

Yoho Resources Inc. has made a very successful transition during the last year from a technology company into a vibrant, financially stable, emerging junior oil and gas exploration company.

Although the steps through this process were often time consuming and laborious, we emerge with a set of assets to begin to grow the Company and create value for our shareholders.

These assets include:

- approximately 500 boe per day of non-operated production from four properties;
- 10,000 net acres of undeveloped lands that have now grown to 30,000 net acres of undeveloped land concentrated in the northern Peace River Arch area of Alberta;
- 236 km of 2D seismic data and several 3D seismic data sets which will be used to further delineate our geological and geophysical ideas and exploration opportunities;
- substantial tax pools that will allow Yoho to grow without taxability in the near term;
- a recent flow-through equity financing, which enhanced a very solid balance sheet with \$4.5 million of cash at December 31, 2005.

Above all, we have been able to attract a strong Board of Directors and a premier team of professionals to execute our game plan. Considering the current environment within the Canadian oil patch and the competition for quality professionals, we are extremely proud of this accomplishment. It is, as always, this team of dedicated individuals that will ensure growth of your Company.

First and foremost, Yoho will be an exploration company. We will focus on specific areas in the Western Canadian Sedimentary Basin that we believe allow us to have an advantage, be it access to lands and specific transactions or historical familiarity within a specific area. We will continually follow our own "homegrown" ideas and plans.

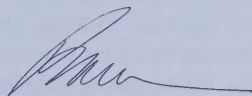
We will augment our exploration efforts with potential acquisition opportunities. Any acquisition will be utilized as a growth platform and we will continue exploration and development efforts in and around any acquired properties.

Very high commodity prices have brought with them substantial challenges for junior explorers, including:

- extremely inflated service costs;
- lack of availability and substantial delays for all types of services;
- delays in accessing natural gas infrastructure for both natural gas and solution gas;
- extreme competition for land at crown land sales and for negotiated agreements on third party land;
- shortages of fully trained and experienced field personnel;
- unprecedented competition for asset acquisitions.

With our current team in place, we believe we can meet and overcome those challenges and over time build a successful enterprise. Our growth, as is the case with all exploration companies, will come in a 'stair step' fashion, as we add new discoveries to our current base of assets.

We look forward to further reporting our progress to you, our shareholders, in the years to come and we thank you for your early support.



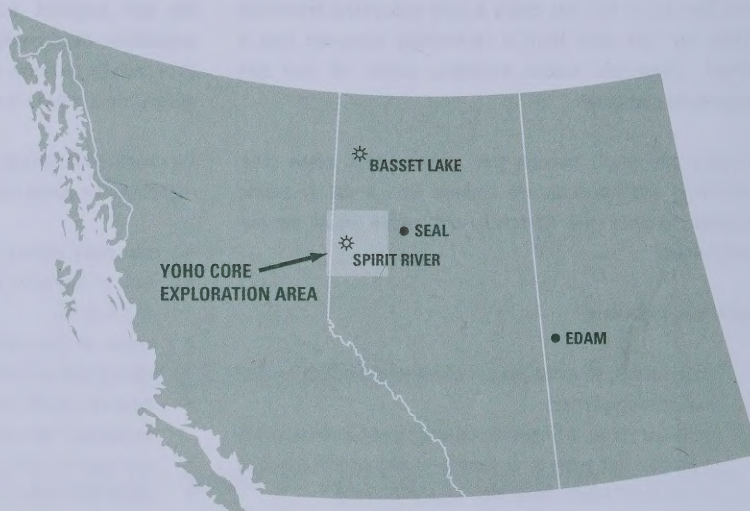
Brian A. McLachlan
President and Chief Executive Officer

December 13, 2005

Operations Review

Peace River Arch Attributes

- Medium depth targets
- Medium risk targets
- Multi-zoned potential
- Year round access
- Light oil
- Natural gas
- Excellent infrastructure
- Profitable risk/reward targets



Core Operating Areas

Yoho operates in the Western Canadian Sedimentary Basin, with a focus on the prolific Peace River Arch area of northern Alberta.

Reserves

An independent engineering evaluation of Yoho's crude oil and natural gas reserves was completed by GLJ Petroleum Consultants for all of Yoho's properties effective September 30, 2005. These reserve estimates were prepared in accordance with National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities ("NI51-101"). The Company's reserves committee meets with the independent evaluators to review the engineering evaluation.

Summary Of Oil And Gas Reserves And Net Present Values Of Future Net Revenue
As Of September 30, 2005 Forecast Prices And Costs

Reserves Category	Light And Medium Oil		Heavy Oil		Natural Gas		Natural Gas Liquids		Total Reserves	
	Gross ⁽¹⁾ (Mbbl)	Net ⁽²⁾ (Mbbl)	Gross ⁽¹⁾ (Mbbl)	Net ⁽²⁾ (Mbbl)	Gross ⁽¹⁾ (MMcf)	Net ⁽²⁾ (MMcf)	Gross ⁽¹⁾ (Mbbl)	Net ⁽²⁾ (Mbbl)	Gross ⁽¹⁾ (Mboe)	Net ⁽²⁾ (Mboe)
Proved										
Producing	4	3	295	243	1,538	1,285	4	3	560	463
Developed Non-Producing	31	27	-	-	168	114	5	3	64	50
Undeveloped	-	-	-	-	386	321	1	1	65	54
Total Proved	35	31	295	243	2,092	1,720	10	7	689	567
Probable	13	12	55	45	615	502	3	2	174	143
Total Proved Plus Probable	49	43	350	288	2,707	2,223	13	9	863	710

- 1) "Gross" is Company interest reserves before deducting royalties.
- 2) "Net" is Company interest reserves after deducting royalties.
- 3) Numbers may not add due to rounding.

**Net Present Values Of Future Net Revenue
Before Income Taxes Discounted At**

Reserves Category	0% (\$ thousand)	5% (\$ thousand)	10% (\$ thousand)	15% (\$ thousand)	20% (\$ thousand)
Proved					
Developed Producing	13,652	12,477	11,536	10,760	10,108
Developed Non-producing	2,254	2,058	1,896	1,758	1,641
Undeveloped	1,521	1,312	1,142	1,003	887
Total Proved	17,427	15,847	14,573	13,521	12,636
Probable	3,646	2,933	2,428	2,051	1,760
Total Proved Plus Probable	21,073	18,780	17,001	15,572	14,396

The forecast cost and price assumptions include forecast changes in actual wellhead selling prices and take into account inflation with respect to future operating and capital costs. Crude oil, heavy oil, natural gas and natural gas liquids benchmark reference pricing, as at September 30, 2005, inflation and exchange rates utilized in the GLJ Report were as follows:

**Summary Of Pricing And Inflation Rate Assumptions
As of September 30, 2005 Forecast Prices And Costs**

Year	WTI Cushing Oklahoma (\$US/Bbl)	Edmonton Par Price 40 API (\$Cdn/Bbl)	Hardisty Heavy 12 API (\$Cdn/Bbl)	Natural Gas Aeco Gas Price (\$Cdn/Mmbtu)	Inflation Rates ⁽¹⁾ %/Year	Exchange Rate ⁽²⁾ (\$US/\$Cdn)
2005	65.00	76.50	35.50	13.10	2.1	0.84
2006	60.00	70.50	36.00	10.35	2.0	0.84
2007	55.00	64.75	35.75	8.85	2.0	0.84
2008	51.00	60.00	35.25	8.10	2.0	0.84
2009	48.00	56.50	35.25	7.55	2.0	0.84
2010	46.50	54.75	35.00	7.25	2.0	0.84
2011	45.00	52.75	34.25	6.95	2.0	0.84
2012	45.00	52.75	34.25	6.95	2.0	0.84
2013	46.00	54.00	35.25	7.10	2.0	0.84
2014	46.75	55.00	35.75	7.25	2.0	0.84
2015	47.75	56.25	36.75	7.45	2.0	0.84

Escalation Rate of 2.0% thereafter.

Notes:

- 1) Inflation rates for forecasting prices and costs.
- 2) Exchange rates used to generate the benchmark reference prices in this table.

Undeveloped Land

At September 30, 2005, Yoho had an interest in 51,200 gross (26,394 net) acres of undeveloped land.

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") reviews Yoho Resources Inc.'s ("Yoho" or the "Company") activities and results of operations for the period from December 23, 2004 to September 30, 2005 and should be read in conjunction with the consolidated financial statements for the period ended September 30, 2005.

CORPORATE

Yoho was continued under the laws of the Province of Alberta on December 23, 2004. On December 20, 2004, the shareholders of the Company appointed a new board of directors and recruited a management team for its newly acquired oil and gas business.

On December 21, 2004, the Company received approval of the Alberta Court of Queen's Bench pursuant to the Companies Creditor Arrangement Act (Canada) (the "CCAA") as well as the approval of the Ontario Superior Court of Justice pursuant to the Business Corporations Act (Ontario), on December 23, 2004, of a Plan of Arrangement (the "Arrangement") between the Company, Yoho Resources Investment Partnership, VIQ Solutions Inc. ("VIQ Solutions") and the Company's shareholders and creditors. The transactions implemented under the Arrangement are described in Note 1 of the consolidated financial statements.

Effective December 23, 2004, the Company acquired all of the issued and outstanding shares of 11 petroleum and natural gas companies and transformed itself into a petroleum and natural gas exploration, development and marketing company operating in Western Canada.

BASIS OF PRESENTATION

The consolidated financial statements for the period from December 23, 2004 to September 30, 2005 include the results of operations from the petroleum and natural gas properties from the acquisition date of December 23, 2004. The Company has adopted "fresh-start" accounting as a result of the corporate reorganization under the Arrangement. The deficit at the date of the corporate reorganization has been eliminated against the share capital. The comparative information for the prior year

has not been presented as the results of the periods before the corporate reorganization are not comparable to the current periods. **The MD&A for the period ended September 30, 2005 does not review activities and results of operations for the previous year, but focuses on the new oil and gas activities since December 23, 2004.**

NON-GAAP FINANCIAL MEASURES

Yoho evaluates performance based on net income and funds from operations. Funds from operations and funds from operations per share are not measurements based on generally accepted accounting principles ("GAAP"), but are financial terms commonly used in the oil and gas industry. The Company's funds from operations is detailed on the Consolidated Statement of Cash Flow and may not be comparable to other companies. Yoho calculates funds from operations per share using the same method and shares outstanding which are used in the determination of net income per share. The Company considers it a key measure as it demonstrates the ability of the Company to generate the funds necessary to finance future capital investments.

Yoho also uses "operating netbacks" as a key performance indicator. Operating netbacks do not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures by other companies. Operating netbacks are determined by deducting royalties, production expenses and transportation from oil and gas sales revenue.

Funds from operations and operating netbacks are not intended to represent operating profits, nor should they be viewed as an alternative to cash flow provided by operating activities, net

earnings or other measures of financial performance calculated in accordance with GAAP.

In conformity with National Instrument 51-101, standards for Disclosure of Oil and Gas Activities ("NI 51-101"), natural gas volumes have been converted to barrels of oil equivalent ("boe") using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil. This ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Readers are cautioned that the term "boe" may be misleading, particularly if used in isolation.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This discussion and analysis contains forward-looking statements related to future events or future performance. Certain statements regarding Yoho Resources Inc., including management's assessments of future plans and operations, may constitute forward-looking statements under applicable securities laws and necessarily involve known and unknown risks and uncertainties, most of which are beyond Yoho's control. These risks may cause actual financial and operating results, performance, levels of activity and achievements to differ materially from those expressed in, or implied by, such forward-looking statements.

Such factors include, but are not limited to: the impact of general economic conditions in Canada and the United States; industry conditions including changes in laws and regulations including adoption of new environmental laws and regulations, and changes in how they are interpreted and enforced; competition from other producers, the lack of availability of drilling rigs and

other field services, the lack of availability of qualified personnel; fluctuations in commodity prices; the results of exploration and development drilling and related activities; imprecision in reserve estimates; the production and growth potential of Yoho's various assets; fluctuations in foreign exchange or interest rates; the ability to access sufficient capital from internal and external sources; and obtaining required approvals of regulatory authorities.

Accordingly, Yoho gives no assurance nor makes any representations or warranty that the expectations conveyed by the forward-looking statements will prove to be correct and actual results may differ materially from those anticipated in the forward looking statements. Readers should not place undue reliance on any such forward-looking statements, which speak only as of the date they were made. Yoho undertakes no obligation to publicly update or revise any forward-looking statements.

This MD&A was reviewed and approved by the Company's Audit Committee and Board of Directors on December 13, 2005.

Additional information regarding Yoho Resources Inc. is available under the Company's profile on SEDAR at www.sedar.com.

CHANGE IN ACCOUNTING POLICIES

During the first quarter, the Company adopted new accounting policies related to the accounting for the petroleum and natural gas operations (see Note 2 of the consolidated financial statements). The initial adoption of these accounting policies did not impact any prior periods of the Company.

SUMMARY OF QUARTERLY OPERATING AND FINANCIAL RESULTS

	Three Months Ended				Period from December 23, 2004 to September 30, 2005
	December 31, 2004 ⁽¹⁾	March 31, 2005	June 30, 2005	September 30, 2005	September 30, 2005
Production					
Heavy oil (bbls/d)	302	307	257	233	267
Light oil and NGL (bbls/d)	-	-	-	5	2
Natural gas (mcf/d)	2,091	1,821	1,772	1,578	1,735
boe (boe/d)	650	610	553	501	556
Reference Prices					
Edmonton par oil (\$/bbl)	47.24	50.10	52.88	63.72	53.49
LLB heavy oil (\$/bbl)	28.52	30.28	31.97	44.31	33.77
AECO gas (\$/GJ)	6.57	6.89	7.37	9.37	7.55
Average Prices					
Heavy oil (\$/bbl)	22.52	17.72	29.86	41.42	29.03
Light oil (\$/bbl)	-	-	-	69.93	-
Natural gas (\$/mcf)	6.22	6.75	7.37	9.98	7.84
Financial (\$)					
Petroleum and natural gas sales	178,234	1,595,241	1,887,918	2,357,191	6,018,584
Funds from operations	105,744	418,316	1,035,013	1,561,615	3,120,688
per share (basic & diluted)	0.08	0.04	0.09	0.12	0.34
Net income (loss)	3,360	32,265	(202,396)	1,606,033	1,439,262
per share (basic & diluted)	-	-	(0.02)	0.13	0.16
Operating Netback and Net Income per boe					
Petroleum and natural gas sales	30.44	29.04	37.55	51.10	38.38
Royalties	(4.25)	(4.39)	(4.64)	(3.65)	(4.26)
Operating expenses	(5.09)	(6.07)	(4.69)	(7.10)	(5.91)
Processing fees	-	(7.38)	(3.46)	(0.32)	(3.79)
Transportation	-	(0.98)	(0.95)	(1.55)	(1.10)
Operating netback	21.10	10.22	23.81	38.48	23.32
General & administrative	(2.14)	(2.59)	(3.81)	(3.11)	(3.12)
Interest expense, net	(0.90)	0.05	0.65	(1.68)	(0.31)
Current taxes	-	(0.07)	(0.08)	0.16	-
Funds from operations	18.06	7.61	20.57	33.85	19.89
Depletion, depreciation and accretion	(17.49)	(17.66)	(17.21)	(20.43)	(18.37)
Stock based compensation	-	-	(6.19)	(3.02)	(2.87)
Gain on sale of short-term investment	-	10.63	-	-	3.72
Future income taxes	-	-	(1.20)	24.41	6.79
Net income (loss)	0.57	0.58	(4.03)	34.81	9.16
Total assets	24,997,971	23,435,965	25,626,711	29,127,571	29,127,571

- 1) The results for the three months ended December 31, 2004 include nine days of oil and gas operations from the acquisition of the 11 petroleum and natural gas companies on December 23, 2004.

RESULTS OF OPERATIONS

Production: Production for the fourth quarter averaged 501 boe per day. Oil production was 238 barrels per day and natural gas production was 1,578 mcf per day. Production was lower in the fourth quarter compared to the third quarter due to natural declines and two low working interest gas wells that were shut in during the quarter. The new oil wells drilled in the fourth quarter were not on production until late September 2005 and did not contribute significantly to the total production for the quarter.

Production for the period from December 23, 2004 to September 30, 2005 averaged 556 boe per day. Oil production was 267 barrels per day and natural gas production was 1,735 mcf per day.

Revenue: Petroleum and natural gas sales for the fourth quarter were \$2,357,191. During the fourth quarter, the Company received a net price of \$41.42 per barrel for crude oil and natural gas liquids and \$9.98 per mcf for natural gas. The wellhead price received for the Company's heavy oil is impacted by the heavy oil differential and the price of diluent added to the heavy oil in the Seal area to meet pipeline specifications. Posted prices for heavy oil were higher during the fourth quarter as compared to the third quarter.

Petroleum and natural gas sales for the period from December 23, 2004 to September 30, 2005 were \$6,018,584. Yoho received a net price of \$29.03 per barrel for crude oil and natural gas liquids and \$7.84 per mcf for natural gas.

Royalties: Total royalties, net of ARTC, for the fourth quarter were \$168,517 compared to \$233,253 for the prior quarter. Royalties for the fourth quarter were 7.1% of sales compared to 12.3% of sales for the third quarter. The increased price received for heavy oil in the fourth quarter reduced the royalty rate as a percentage of sales revenue.

Royalties for the period from December 23, 2004 to September 30, 2005 were \$667,954 (11.1% of sales revenue).

Operating Expenses: Operating expenses for the fourth quarter were \$327,321 compared to \$235,692 for the third quarter. Oil operating expenses were \$7.27 per barrel in the fourth quarter compared to \$5.13 per barrel in the third quarter. Natural gas operating expenses were \$1.04 per mcf in the fourth quarter compared to \$0.72 per mcf in the second quarter. The increase in operating expenses per unit is due to the lower production volumes for the fourth quarter. Natural gas operating expenses also increased due to the acquisition in July 2005 of a working interest ownership in the facilities in the Company's main gas producing area. Yoho is now charged for facility operating costs in the area instead of processing fees.

Operating expenses for the period from December 23, 2004 to September 30, 2005 were \$926,113. Oil operating expenses averaged \$6.01 per barrel and natural gas operating expenses averaged \$0.97 per mcf.

Processing Fees: The Company's gas production is operated by third parties. Yoho pays fees to other operators for processing, gathering and compression through third party facilities. Processing fees for the fourth quarter were \$14,798, compared to fees in the third quarter of \$173,801. The substantial decrease in processing fees in the fourth quarter is the result of the acquisition in July 2005 of a working interest ownership in the facilities in the Company's main gas producing area.

Processing fees for fiscal 2005 were \$593,863 (\$1.21 per mcf).

Transportation: Transportation expense during the fourth quarter was \$71,373 compared to \$47,756 during the previous quarter, as wet weather caused increased trucking charges on the Company's oil properties. The expense for the period from December 23, 2004 to September 30, 2005 was \$173,016.

General and Administrative Expenses: General and administrative expenses for the three months ended September 30, 2005 were \$143,431 (\$3.11 per boe) compared to \$191,405 (\$3.81 per boe) for the prior quarter. The decrease is due to higher costs for consultants used during the third quarter. During fiscal 2005, general and administrative expenses were \$489,365 (\$3.12 per boe) and a total of \$323,000 of corporate expenses relating to exploration and development activities were capitalized.

Depletion, Depreciation and Accretion: The provision for depletion, depreciation and accretion for the fourth quarter was \$942,429 (\$20.43 per boe) for the compared to \$865,565 (\$17.21 per boe) for the third quarter. The increase in depletion is the result of the acquisition in July 2005 of the natural gas facilities, which increased the cost base of property, plant and equipment without a corresponding increase in the Company's petroleum and natural gas reserves.

Depletion, depreciation and accretion for the period from December 23, 2004 to September 30, 2005 was \$2,880,536 (\$18.37 per boe).

The petroleum and natural gas properties were subject to a ceiling test at September 30, 2005. No write-down was required under this calculation.

Stock-based Compensation: During the fourth quarter, the Company expensed \$139,160 in stock-based compensation related to outstanding stock options and warrants. Stock based compensation for the third quarter was \$311,437. The total stock-based compensation for the period from December 23, 2004 to September 30, 2005 was \$450,597.

Income Taxes: At September 30, 2005, Yoho had a total of \$17 million of non-capital losses available to reduce future taxable income and corporate income taxes. In addition, the Company has other deductions of \$12 million available to reduce future taxable income and capital losses of \$6.4 million available to offset future taxable capital gains. The future income tax recovery for the period ended September 30, 2005 of \$1,065,600 is the result of the recognition of the benefit of the non-capital losses.

Net Income: Net income for the fourth quarter was \$1,606,033 (\$0.13 per share basic and diluted). Petroleum and natural gas sales were higher in the fourth quarter, as increased average prices received offset lowered production. The increased revenue and future income tax recovery offset increased charges for depletion, depreciation and accretion. Net income for the period from December 23, 2004 to September 30, 2005 was \$1,439,262 (\$0.16 per share basic and diluted) and included a \$584,107 gain on the sale of marketable securities and a future income tax recovery of \$1,065,600.

Funds from Operations: Funds from operations for the three months ended September 30, 2005 were \$1,561,615 (\$0.12 per share basic and diluted based on 12,575,438 weighted average shares outstanding). Funds from operations for fiscal 2005 were \$3,120,688 (\$0.34 per share basic and diluted based on 9,124,107 weighted average shares outstanding).

Capital Expenditures

The following table summarizes the Company's capital expenditures by quarter for the period from December 23, 2004 to September 30, 2005:

	Three Months Ended				Period from December 23, 2004 to September 30, 2005
	December 31, 2004 ⁽¹⁾	March 31, 2005	June 30, 2005	September 30, 2005	
Land	\$ -	\$ 1,455,398	\$ 369,514	\$ 856,022	\$ 2,680,934
Seismic	-	468,317	663,208	442,146	1,573,671
Drilling and completion	-	642,776	334,108	2,190,755	3,167,639
Equipment and facilities	-	-	-	2,886,983	2,886,983
Other assets	-	183,108	158,235	187,569	528,912
Total exploration and development	-	2,749,599	1,525,065	6,563,475	10,838,139
Corporate acquisitions	9,972,771	-	-	-	9,972,771
Total capital expenditures	\$ 9,972,771	\$ 2,749,599	\$ 1,525,065	\$ 6,563,475	\$ 20,810,910

- 1) The information for the three months ended December 31, 2004 includes the acquisition of the 11 petroleum and natural gas companies on December 23, 2004.

In February 2005, Yoho completed the acquisition of approximately 18,080 gross (9,040 net) acres of undeveloped oil and natural gas properties and related seismic assets which will be operated by the Company. These lands are located in the Peace River Arch area of North Central Alberta. The aggregate purchase price for these properties and seismic assets was \$1,200,000, which was funded by the issue of 500,000 shares at \$2.00 per share and \$200,000 in cash.

Since December 23, 2004, Yoho has acquired an additional 49,761 gross (23,700 net acres) of land. Yoho has also acquired 236.4 km of 2D seismic data and shot a 15 km² 3D seismic program over the undeveloped land. Yoho has participated in drilling eight (3.59 net) exploration wells in the Peace River Arch area resulting in three (1.5 net) exploration discoveries which were cased as oil wells and five (2.0 net) wells which were dry and subsequently abandoned. Two of the oil wells were placed on production in late September 2005, with the third oil well on production in October 2005. In July 2005, the Company closed a purchase of a working interest in a gas production facility for a total purchase price of \$2,700,000.

LIQUIDITY AND CAPITAL RESOURCES

The Company has in place bank credit facilities which allow borrowings up to \$4,000,000 under a revolving operating demand loan for general corporate purposes including capital expenditures. The advances are due on demand and bear interest at prime plus 0.75% per annum. The Company also has a Treasury Risk Line up to a maximum of \$1,300,000 available for interest rate, foreign exchange and commodity prices risk management. This obligation is to be settled based on contract maturities payable from corporate cash flow. The credit facilities are secured by a \$25,000,000 debenture with a floating charge over all assets and a negative pledge and undertaking to provide fixed charges on the Company's major producing petroleum and natural gas reserves. No amounts were drawn under the bank credit facilities as at September 30, 2005.

During the three months ended March 31, 2005, Yoho completed a private placement financing of 405,273 non-voting common shares and 1,675,000 voting common shares, at the price of \$2.00 per share, for aggregate proceeds of \$4,160,546.

In May 2005, the Company completed a private placement financing of 1,033,000 shares at a price of \$2.00 per share for total gross proceeds of \$2,066,000. Also issued as part of the private placement were 1,000,000 warrants to purchase a total of 1,000,000 voting common shares of the Company. The warrants have an exercise price of \$2.50, are exercisable on November 13, 2007 and expire December 13, 2007.

The Company has granted 1,105,000 options under the share option plan to employees, officers and directors. The options have a \$2.00 exercise price and vest one third immediately, and one third on each of the first and second anniversaries of the date of the grant and expire five years from the date of grant.

In July 2005, the Company closed a purchase of a working interest in a gas production facility for a total purchase price of \$2,700,000. In August, 2005, the Company repaid the demand promissory notes due to shareholder totaling \$1,050,000. These transactions were financed by the cash received from the prior equity issues.

In October 2005, the Company completed a private placement financing of 140,000 units, at the price of \$2.00 per unit for total proceeds of \$280,000. Each unit consisted of one voting common share and a warrant (the "Warrants") to purchase a

total of 92,226 voting common shares of the Company. The Warrants have an exercise price of \$2.50, are to vest 30 months from the date of issuance and, upon vesting, are exercisable for a period of 30 days.

The cash generated by funds from operations, the equity issues and available through the credit facility will allow Yoho to fund its planned capital expenditures for the next fiscal year.

OFF BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

Yoho has various contractual obligations and commitments arising in the normal course of operations and financing activities. The commitments have been disclosed in Note 13 to the consolidated financial statements. These obligations and commitments have been considered when assessing the cash requirements in the above discussion of future liquidity.

The Company's bank credit facilities are subject to periodic review, with the next review to be before January 31, 2006. Yoho does not expect any material changes to the bank credit facility as a result of this review.

The Company does not have any arrangements or obligations that are not reflected in the consolidated financial statements.

RELATED PARTY TRANSACTIONS

The Company's related party transactions are disclosed in Note 11 to the consolidated financial statements.

RISK AND RISK MANAGEMENT

The exploration for and the development, production and marketing of petroleum and natural gas involves a wide range of business and financial risks, some of which are beyond the Company's control. Included in these risks are the uncertainty of finding new reserves, the fluctuations of commodity prices, the volatile nature of interest and foreign exchange rates, and the possibility of changes to royalty, tax and environmental regulations. The petroleum industry is highly competitive and the Company competes with a number of other entities, many of which have greater financial and operating resources.

Operational risks include drilling unsuccessful or uneconomic exploration and development wells, cost overruns, reservoir performance, safety and environmental concerns, access to cost effective contract services, product marketing and hiring and retaining qualified employees. The business risks facing the Company are mitigated in a number of ways. Geological, geophysical, engineering, environmental and financial analyses are performed on new exploration prospects, development projects and potential acquisitions to ensure a balance between risk and reward. Yoho employs a team of highly motivated and experienced staff skilled in managing these risks and uncertainties. Management is familiar with operations and has extensive experience working in the Company's primary area of operations. The Company also maintains an insurance program commensurate with its levels and scope of operations to protect against loss from destruction of assets, pollution, blowouts or other losses.

Despite best practice analysis being conducted on all projects, there are numerous uncertainties inherent in estimating quantities of petroleum and natural gas reserves, including future oil and natural gas prices, engineering data, projected future rates of production and the timing of future expenditures. The process of estimating petroleum and natural gas reserves requires substantial judgment, resulting in imprecise determinations, particularly for new discoveries. An independent engineering firm evaluates the Company's properties annually to determine a fair estimate of reserves. The Reserves Committee, consisting of independent members of the Company's Board of Directors, assists the Board in their annual review of the reserves evaluation.

The provision for depletion and depreciation in the financial statements and the ceiling test are based on reserves estimates. Any future significant revisions could result in a full cost accounting write-down or material changes to the annual rate of depletion and depreciation.

Financial risks include fluctuations in commodity prices, exchange rates and interest rates, all of which are beyond control of the Company. Yoho has access to and, when considered prudent, will use various financial instruments and fixed price physical sales contracts to manage its exposure to these financial risks. The Company actively manages its working capital positions. Yoho may be required to use future equity issues or increased levels of borrowing to maintain its financial position or raise funds necessary to carry out significant capital expenditure programs.

Yoho is subject to a variety of regulatory risks that it does not control. The Company has a safety first policy and maintains an Emergency Response Plan to effectively deal with operational or environmental matters that may arise. Government regulations are monitored on an ongoing basis to ensure the Company continues to be in compliance.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by Yoho is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by the annual filings, that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to the issuer, including its consolidated subsidiaries, is made known to them by others within those entities. It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

OUTLOOK FOR 2006

The capital budget for Yoho for its fiscal year ending September 30, 2006 has been set at \$17.7 million. The Company plans on drilling 30 wells with an average 50% working interest. The budget has been allocated as follows: \$9.3 million for drilling and completing wells, \$3.3 million for land and seismic and \$2.6 million for equipment and facilities and \$2.0 million for acquisitions. The capital expenditures are to be funded by funds from operations and use of the bank credit facilities.

During the 2006 fiscal year, Yoho expects to continue its exploration program in the Peace River Arch with 20 (10.0 net) wells scheduled to be drilled. In addition, a 10 (5.0 net) well development drilling program is planned for the Basset Lake area of northern Alberta. After giving effect to the 2006 capital expenditure program, Yoho expects production to average 800 boe per day for fiscal 2006, with an exit production rate in September, 2006 of approximately 1,100 boe per day.

Management's Report

Management, in accordance with Canadian general accepted accounting principles, has prepared the accompanying consolidated financial statements of Yoho Resources Inc. Financial and operating information presented throughout this Annual Report is consistent with that shown in the consolidated financial statements.

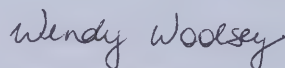
Management is responsible for the integrity of the financial information. Internal control systems are designed and maintained to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for financial reporting purposes.

KPMG LLP were appointed by the Yoho Resources Inc. shareholders to express an opinion on the consolidated financial statements. Their examination included such tests and procedures, as they considered necessary, to provide reasonable assurance that the consolidated financial statements are presented fairly in accordance with Canadian generally accepted accounting principles.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors exercises the responsibility through the Audit Committee, with assistance from the Reserves Committee regarding the annual review of our petroleum and natural gas reserves. The Audit Committee meets regularly with management and the independent auditors to ensure that management's responsibilities are properly discharged, to review the consolidated financial statements and recommend that the consolidated financial statements be presented to the Board of Directors for approval. The Audit Committee also considers the independence of the external auditors and reviews their fees. The external auditors have access to the Audit Committee without the presence of management.



Brian A. McLachlan
President and Chief Executive Officer



Wendy S. Woolsey, CA
Vice President, Finance and Chief
Financial Officer

December 13, 2005

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Auditors' Report

To the Shareholders of Yoho Resources Inc.

We have audited the consolidated balance sheet of Yoho Resources Inc. as at September 30, 2005 and the consolidated statements of operations and retained earnings and cash flows for the period from December 23, 2004 to September 30, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2005 and the results of its operations and its cash flows for the period from December 23, 2004 to September 30, 2005 in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at September 30, 2004 and for the year then ended were audited by another firm of chartered accountants.



Chartered Accountants
Calgary, Alberta

December 13, 2005

Consolidated Balance Sheets

As at September 30, 2005 and 2004

	September 30, 2005	September 30, 2004
Assets		
Current assets	(Note 1)	(Note 1)
Cash	\$ 2,724,468	\$ -
Accounts receivable	3,807,229	-
Current assets before corporate reorganization		2,907,154
	6,531,697	2,907,154
 Petroleum and natural gas properties (Note 3)	18,115,877	-
Future income taxes (Note 9)	4,479,997	-
Non-current assets before corporate reorganization		2,710,017
	\$ 29,127,571	\$ 5,617,171
 Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,504,977	\$ -
Current liabilities before corporate reorganization		6,065,940
	3,504,977	6,065,940
 Asset retirement obligations (Note 5)	592,169	-
Non-current liabilities before corporate reorganization		95,085
	4,097,146	6,161,025
 Shareholders' Equity		
Share capital (Note 6)	23,140,566	41,657,844
Contributed surplus (Notes 6 and 7)	450,597	1,939,913
Cumulative foreign currency adjustments		(549)
Retained earnings (Notes 1 and 6)	1,439,262	(44,141,062)
	25,030,425	(543,854)
	\$ 29,127,571	\$ 5,617,171
 Commitments and contingencies (Note 13)		
Subsequent event (Note 14)		

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Operations and Retained Earnings

Period from December 23, 2004 to September 30, 2005

Period from December 23, 2004 to
September 30, 2005

Revenue	
Petroleum and natural gas sales	\$ 6,018,584
Royalties, net of Alberta royalty tax credit	(667,954)
Other income	661,440
	6,012,070
Expenses	
Operating	926,113
Processing fees	593,863
Transportation	173,016
General and administrative	489,365
Stock-based compensation (Note 7)	450,597
Interest	124,918
Depletion, depreciation and accretion	2,880,536
	5,638,408
Income before income taxes	373,662
Income taxes (recovery) (Note 9)	
Future	(1,065,600)
	(1,065,600)
Net income	1,439,262
Deficit, beginning of period	(44,141,062)
Adjustment to deficit on corporate reorganization (Note 1)	128,707
Reduction of deficit under reorganization (Notes 1 and 6)	44,012,355
Retained earnings, end of period	\$ 1,439,262
Net income per share (Note 8)	
Basic and diluted	\$ 0.16

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flow

Period from December 23, 2004 to September 30, 2005

Period from December 23, 2004 to
September 30, 2005

Cash provided by (used in):	
Operating activities	
Net income	\$ 1,439,262
Items not affecting cash:	
Stock-based compensation	450,597
Depletion, depreciation and accretion	2,880,536
Future income tax recovery	(1,065,600)
Gain on sale of marketable securities	(584,107)
Funds from operations	3,120,688
Change in non-cash working capital	(1,107,824)
	2,012,864
Financing activities	
Issuance of share capital for cash, net of issue costs	13,041,546
Payment of notes payable	(4,500,000)
Payment of amount due to shareholder (Note II)	(1,050,000)
	7,491,546
Investing activities	
Petroleum and natural gas property expenditures	(9,838,139)
Proceeds on sale of marketable securities	2,389,757
Change in non-cash working capital	668,440
	(6,779,942)
Change in cash during the period	2,724,468
Cash, beginning of period	-
Cash, end of period	\$ 2,724,468

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

Period from December 23, 2004 to September 30, 2005

1. CORPORATE REORGANIZATION AND BASIS OF PRESENTATION

General

Yoho Resources Inc. (the "Company"), formerly VoicelQ Inc., was incorporated under the Business Corporations Act of the province of Alberta on July 12, 1993 and by Articles of Continuance dated October 1, 1996, the Company was continued under the laws of the Province of Ontario. On December 23, 2004, the Company was continued under the laws of the Province of Alberta. On December 20, 2004, the shareholders of the Company appointed a new Board of Directors.

Creditor settlement

On December 21, 2004, the Company received approval of the Alberta Court of Queen's Bench pursuant to the Companies' Creditor Arrangement Act (Canada) ("the CCAA") as well as the approval, on December 23, 2004, of the Ontario Superior Court of Justice pursuant to the Business Corporations Act (Ontario), of a Plan of Arrangement (the "Arrangement") between the Company, Yoho Resources Investment Partnership, VIQ Solutions Inc. ("VIQ Solutions") and the Company's shareholders and creditors. The transactions implemented under the Plan of Arrangement are described below and in Note 7.

Basis of Presentation

The consolidated financial statements include the results of operations from the petroleum and natural gas properties from the acquisition date of December 23, 2004. The Company has adopted "fresh-start" accounting as a result of the corporate reorganization under the Arrangement. The deficit at the date of the corporate reorganization has been eliminated against the share capital (Note 6). The comparative information for the prior year has not been presented as the results of the year before the corporate reorganization are not comparable to the current period.

Corporate Reorganization

On December 23, 2004, pursuant to the Plan of Arrangement, all of the Company's voice capture, digitization and compression assets and business were transferred to VIQ Solutions at a purchase price of \$2,849,647. The purchase price was paid through the issuance of 36,776,310 shares of VIQ Solutions to the Company. These shares were subsequently distributed to the existing shareholders of the Company on that date. The following is a summary of the transaction:

Net assets transferred:	
Cash	\$ 236,234
Accounts receivable	517,577
Fixed assets	321,847
Outstanding shares of Voice IQ Australia Pty Limited	800,000
Intercompany loan receivable from VoicelQ Australia Pty Limited	1,750,386
Intangible assets	400,000
Prepaid expenses and deposits	56,669
Accounts payable and accrued liabilities	(633,872)
Deferred revenue	(232,766)
Liabilities of the Company not compromised under the CCAA	(292,000)
Future obligations	(74,428)
Total purchase price	\$ 2,849,647

All of the liabilities noted above, to the extent not compromised under the CCAA, have been assumed by VIQ Solutions pursuant to the Arrangement and VIQ Solutions has indemnified the Company in respect of these obligations and any other liabilities related to the former technology business of the Company.

Selected financial information for the pre-reorganization operations is summarized below:

	Period Ending December 23, 2004
Gross revenue	\$ 2,711,101
Results of pre-reorganization operations:	
Net loss from pre-reorganization operations, net of tax of nil	(525,932)
Net gain on creditor settlement under CCAA, net of tax of nil	1,653,699
Assets and liabilities transferred under corporate reorganization, net of tax of \$nil	(999,060)
Adjustment to deficit on corporate reorganization	\$ 128,707

Acquisition of oil and gas companies

On December 23, 2004, the Company acquired all of the issued and outstanding shares of 960330 Alberta Ltd., 960331 Alberta Ltd., 960332 Alberta Ltd., 960333 Alberta Ltd., 960334 Alberta Ltd., Edam Joint Venture Ltd., Atlee Joint Venture Ltd., Sousa Joint Venture Ltd., Hamilton Lake III Joint Venture Ltd., Basset Lake Joint Venture Ltd. and Basset Lake III Joint Venture Ltd. ("the JV companies") and commenced operations as a petroleum and natural gas exploration and development company operating in Western Canada.

The acquisitions were accounted for under the purchase method and their operations have been included from the date of acquisition. The estimated fair value of the assets acquired and liabilities assumed at the date of acquisition is summarized below.

Petroleum and natural gas properties	\$	9,972,771
Current assets		3,073,130
Future income tax asset		4,479,997
Current liabilities		(1,704,612)
Asset retirement obligation		(406,666)
Total net assets acquired	\$	15,414,620
Financed by:		
Issue of 5,082,310 non-voting common shares at fair value	\$	10,164,620
Issue of notes payable		4,500,000
Costs associated with acquisition		750,000
Total purchase price	\$	15,414,620

The notes payable, issued to former shareholders of the JV companies, were repaid in January 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries and partnership from the respective dates of acquisition of the subsidiary companies. Inter-company transactions and balances are eliminated upon consolidation.

Measurement Uncertainty

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the reporting period. Actual results, including petroleum and natural gas sales, royalties and operating expenses, can differ from those estimates.

In particular, amounts recorded for depreciation and depletion and amounts used for ceiling test calculations are based on estimates of petroleum and natural gas reserves and future costs required to develop those reserves. The Company's reserve estimates are evaluated annually by an independent engineering firm. By their nature, these estimates of reserves and the related future cash flows are subject to measurement uncertainty, and the impact on the consolidated financial statements of future periods could be material.

The amounts recorded for asset retirement obligations were estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to abandon and reclaim the wells and the facilities and the estimated time period during which these costs will be incurred in the future. Any changes to these estimates could change the amount recorded for asset retirement obligations and may materially impact the consolidated financial statements of future periods.

In order to recognize stock-based compensation expense, the Company estimates the fair value of stock options and warrants granted using assumptions related to interest rates, expected life of the option, volatility of the underlying security and expected dividend yields. These assumptions may vary over time.

Cash and Cash Equivalents

Cash and cash equivalents include monies on deposit and short-term investments, accounted for at cost, which have an initial maturity date of not more than 90 days.

Petroleum and Natural Gas Operations

The Company follows the full cost method of accounting for its petroleum and natural gas operations whereby all costs relating to the exploration for and development of petroleum and natural gas reserves are capitalized in one Canadian cost centre and charged against income, as set out below. Such costs include land acquisition, drilling of productive and non-productive wells, geological and geophysical, production facilities, carrying costs directly related to unproved properties and corporate expenses directly related to acquisition, exploration and development activities and do not include any costs related to production or general overhead expenses. These costs along with estimated future capital costs that are based on current costs and that are incurred in developing proved reserves are depleted and depreciated on a unit of production basis using estimated proved petroleum and natural gas reserves, with both production and reserves stated before royalties. For purposes of this calculation, petroleum and natural gas reserves are converted to a common unit of measurement ("boe") on the basis of their relative energy content where six thousand cubic feet of gas equates to one barrel of oil. Costs of acquiring and evaluating unproved properties are excluded from costs subject to depletion and depreciation until it is determined whether proved reserves are attributable to the properties or impairment occurs. Unproved properties are evaluated for impairment on an annual basis.

Gains or losses on the disposition of petroleum and natural gas properties are recognized only when crediting the proceeds to costs would result in a change of 20 percent or more in the depletion rate.

The net amount at which petroleum and natural gas properties are carried is subject to a cost recovery test ("the ceiling test"). The ceiling test is a two-stage process which is to be performed at least annually. The first stage of the test is a recognition test which compares the undiscounted future cash flow from proved reserves at forecast prices plus the cost less impairment of unproved properties to the net book value of the petroleum and natural gas assets to determine if the assets are impaired. An impairment loss exists when the carrying amount of the petroleum and natural gas assets exceeds such undiscounted cash flow. The second stage determines the amount of the impairment loss to be recorded. The impairment is measured as the amount by which the net book value of the petroleum and natural gas assets exceeds the future discounted cash flow from proved plus probable reserves at forecast prices. Any impairment is recorded as additional depletion and depreciation.

Joint Interests

A portion of the Company's exploration, development and production activities is conducted jointly with others. These consolidated financial statements reflect only the Company's proportionate interest in such activities.

Asset Retirement Obligations

The Company recognizes a liability at discounted fair value for the future abandonment and reclamation associated with the petroleum and natural gas properties. The fair value of the liability is capitalized as part of the cost of the related asset and amortized to expense over its useful life. The liability accretes until the date of expected settlement of the retirement obligations. The related accretion expense is recognized in the statement of operations. The provision will be revised for any changes to timing related to cash flow or undiscounted abandonment costs. Actual expenditures incurred for the purpose of site reclamation are charged to the asset retirement obligations to the extent that the liability exists on the balance sheet. Differences between the actual costs incurred and the fair value of the liability recorded are recognized in income in the period incurred.

Future Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recognized, at substantively enacted rates, for differences between the amount reported for financial statement purposes and their respective tax basis. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in income in the period that the change occurs.

Flow-through Shares

The Company has financed a portion of its exploration and development activities through the issue of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related expenditure are renounced to the subscribers. The estimated tax benefits transferred to shareholders are recorded as a future income tax liability at the time of renunciation and a reduction in share capital.

Revenue Recognition

Revenues from the sale of crude oil, natural gas and natural gas liquids owned by the Company are recognized when title passes from the Company to its customers.

Derivative Financial Instruments

The Company may enter into financial instruments and forward sales contracts to manage its exposure to fluctuations in commodity prices, interest rates and foreign exchange rates. The Company does not use financial instruments for trading or speculative purposes. Financial instruments used as hedging transactions must be documented and it must be demonstrated that the hedges are sufficiently effective in order to continue accrual accounting for positions hedged with financial instruments. Financial instruments that do not qualify for hedge accounting are recognized in the balance sheet and measured at fair value, with changes in fair value reported separately in the statement of operations as income or expense.

Stock-based Compensation

The Company records compensation expense in the consolidated financial statements for stock options and warrants granted to directors, employees and consultants using the fair value method. Fair values are determined using the Black-Scholes option pricing model and assumptions regarding interest rates, underlying volatility of the Company's stock and expected life of the options and warrants are made. Compensation costs are recognized over the vesting period.

Per-share Amounts

Basic net income per share is computed by dividing net income by the weighted average number of shares outstanding during the year. Diluted per share amounts reflect the potential dilution that could occur if stock options or warrants were exercised. The treasury stock method is used to determine the dilutive effect of stock options and warrants, whereby any proceeds from the exercise of these or other dilutive instruments are assumed to be used to purchase shares at the average market price during the period.

3. PETROLEUM AND NATURAL GAS PROPERTIES

	September 30, 2005	September 30, 2004
Petroleum and natural gas properties	\$ 20,956,069	\$ -
Accumulated depletion and depreciation	(2,840,192)	-
	\$ 18,115,877	\$ -

In calculating the depletion and depreciation provision for the period ended September 30, 2005, \$3.9 million of costs relating to undeveloped properties were excluded from costs subject to depletion and depreciation. During the period ended September 30, 2005, a total of \$322,594 of corporate expenses relating to exploration and development activities were capitalized.

The petroleum and natural gas properties are subject to a ceiling test, which was calculated at September 30, 2005 using the following benchmark reference prices for the years 2006 to 2010 adjusted for commodity differentials and transportation specific to the Company:

	2006	2007	2008	2009	2010
Edmonton (\$Cdn/bbl)	70.50	64.75	60.00	56.50	54.75
Heavy crude (12API) at Hardisty (\$Cdn/bbl)	36.00	35.75	35.25	35.25	35.00
Alberta Plant Gate (\$Cdn/mcf)	10.10	8.60	7.85	7.30	7.30

4. BANK CREDIT FACILITIES

The Company has in place bank credit facilities which allow borrowings up to \$4,000,000 under a revolving operating demand loan for general corporate purposes including capital expenditures. The advances are due on demand and bear interest at bank prime rate plus 0.75% per annum. The Company also has a Treasury Risk Line up to a maximum of \$1,300,000 available for interest rate, foreign exchange and commodity prices risk management. This obligation is to be settled based on contract maturities payable from corporate cash flow. The credit facilities are secured by a \$25,000,000 debenture with a floating charge over all assets and a negative pledge and undertaking to provide fixed charges on the Company's major producing petroleum and natural gas reserves. The credit facilities are subject to periodic review by the bank, with the next review to be before January 31, 2006. No amounts were drawn under the bank credit facilities as at September 30, 2005.

5. ASSET RETIREMENT OBLIGATIONS

	September 30, 2005	September 30, 2004
Balance, beginning of period	\$ -	\$ -
Liabilities Incurred	552,303	-
Accretion	39,866	-
Balance, end of period	\$ 592,169	\$ -

The Company's asset retirement obligations are based on the Company's net ownership in wells and facilities. Management estimates the costs to abandon and reclaim the wells and the facilities and the estimated time period during which these costs will be incurred in the future. These costs are expected to be incurred between 2006 and 2020. Estimated cash flow has been discounted at a credit-adjusted risk free rate of nine percent and an inflation rate of 1.5 percent.

6. SHARE CAPITAL

Pursuant to the Plan of Arrangement (Note 1), the Company was continued under the Business Corporations Act (Alberta), which continuation included the deletion of the common shares from the Articles amended to include a new class of non-voting common shares and a new class of voting common shares. Existing shareholders exchanged each common share of the Company held by them for one share of VIQ Solutions and 0.012877 new common shares of the Company, resulting in a consolidation of the common shares of the Company.

Authorized

An unlimited number of voting common shares and an unlimited number of non-voting common shares.

Issued

Voting Common Shares:	Number of shares	Amount
Balance, October 1, 2004	36,372,804	\$ 41,657,844
Issued for cash upon exercise of warrants	100,000	25,000
Issued for cash upon exercise of options	471,300	70,695
Surrendered for cancellation	(167,794)	-
Consolidation of voting common shares, December 23, 2004	(36,302,705)	-
Reduction of deficit under corporate reorganization	-	(42,066,039)
Issued to creditors under CCAA settlement	156,250	312,500
Issued for cash upon private placement, net of expenses	3,958,000	7,818,000
Flow-through shares issued for cash	1,250,000	3,000,000
Tax effect of flow-through shares	-	(1,128,600)
Issued for asset purchase	500,000	1,000,000
Balance September 30, 2005	6,337,855	\$ 10,689,400

Non-Voting Common Shares:	Number of shares	Amount
Issued for cash upon private placement, net of expenses	1,155,273	\$ 2,286,546
Issued on corporate acquisitions	5,082,310	10,164,620
Balance September 30, 2005	6,237,583	\$ 12,451,166

Total Common Shares:	Number of shares	Amount
Balance September 30, 2005	12,575,438	\$ 23,140,566

At September 30, 2005, the Company had fulfilled its commitments under the flow-through shares issued during the period.

Contributed Surplus

	September 30, 2005
Balance September 30, 2004	\$ 1,939,913
Adjustment for corporate reorganization (note 1)	(1,939,913)
Stock based compensation expense	450,597
Balance September 30, 2005	\$ 450,597

Warrants

In May 2005, the Company completed a private placement financing of 1,033,000 shares at a price of \$2.00 per share for total gross proceeds of \$2,066,000. Also issued as part of the private placement were 1,000,000 warrants to purchase a total of 1,000,000 voting common shares of the Company. The warrants have an exercise price of \$2.50, are exercisable on or after November 13, 2007 and expire on December 13, 2007.

Share Option Plan

Effective December 23, 2004, a new share option plan was adopted by the Company. All options outstanding under the former plan were immediately cancelled. A committee appointed by the Board of Directors may from time to time designate bona fide directors, employees, and consultants of the Company and its subsidiaries to whom options to purchase voting common shares of the Company may be granted and the number of voting common shares to be optioned to each. Under the plan, the number of shares reserved for issuance pursuant to the exercise of all options may not exceed 10% of the issued and outstanding shares on a non-diluted basis at any time.

	Number of options	Weighted Average Exercise Price	Weighted Average Remaining Term
Balance December 23, 2004			
Granted	1,105,000	\$ 2.00	-
Balance September 30, 2005	1,105,000	\$ 2.00	4.6 years
Number Exercisable at September 30, 2005	368,333	\$ 2.00	4.6 years

The options vest one third immediately and one third on each of the first and second anniversaries of the date of the grant and expire on May 13, 2010.

Reduction in Deficit

The opening deficit, contributed surplus and cumulative foreign currency adjustments have been eliminated against share capital under the corporate reorganization (Note 1).

7. STOCK-BASED COMPENSATION

The Company has recorded stock-based compensation for all stock options and warrants granted. The compensation expense is calculated based upon the fair value of stock options and warrants on the date of the grant using the Black-Scholes option pricing model using the following assumptions: expected volatility of 50%, risk-free interest rate of 4.5%; expected life of two years and expected future dividends of nil. The compensation expense is recognized over the vesting period of the stock options and warrants. During the period ended September 30, 2005, \$450,597 was recognized as stock-based compensation expense with a corresponding increase to contributed surplus.

8. NET INCOME PER SHARE

The Company applies the treasury stock method to assess the dilutive effect of outstanding stock options and warrants on net income per share. Basic net income per share is calculated using net income and the weighted average number of common shares outstanding. Diluted net income per share is calculated using net income and the weighted average number of diluted common shares outstanding. There was no dilutive effect of the stock options and warrants outstanding for the period ended September 30, 2005 as the respective exercise prices did not exceed the average price of the shares during the period.

	Period from December 23, 2004 to September 30, 2005
Weighted average number of common shares outstanding	9,124,107
Dilutive effect of stock options and warrants	-
Weighted average number of diluted common shares outstanding	9,124,107

9. INCOME TAXES

The provision for income taxes differs from the result which would be obtained by applying the combined Canadian federal and provincial statutory income tax rate as follows:

	Period from December 23, 2004 to September 30, 2005
Income before income taxes	\$ 373,662
Expected income taxes at the statutory rate of 38.4%	\$ 143,486
Increase (decrease) in taxes resulting from:	
Non-deductible Crown royalties	154,230
Resource allowance	(216,004)
Stock-based compensation	173,029
Gain on sale of marketable securities	(224,297)
Effect of change in valuation allowance	(1,070,798)
Other	(25,246)
Provision for income taxes	\$ (1,065,600)

The components of future income taxes are as follows:

	September 30, 2005	September 30, 2004
Non-capital losses	\$ 6,367,978	\$ 5,326,000
Capital losses	1,113,890	2,159,000
Scientific research and experimental development	1,431,780	2,833,000
Share issue costs	204,542	184,000
Excess (shortfall) of tax bases of assets over carrying value	(2,027,280)	1,679,000
Asset retirement obligation	205,187	-
Valuation allowance	(2,816,100)	(12,018,000)
Future income tax asset	\$ 4,479,997	\$ 163,000

At September 30, 2005, the Company has available prior years' losses of \$17,890,000. These losses are available to reduce taxable income in future years and, if not utilized, will expire as follows:

2006	\$ 2,866,000
2007	1,705,000
2008	7,702,000
2009	225,000
2010	1,539,000
2014	3,853,000
	\$ 17,890,000

10. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of accounts receivable, accounts payable and accrued liabilities, amount due to shareholder. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

11. RELATED PARTY TRANSACTIONS

During the period ended September 30, 2005, the following related party transactions were entered into:

A total of \$260,070 of legal fees related to the corporate restructuring, the acquisition cost of the oil and gas business, share issue costs and general legal matters were incurred to a law firm in which one of the Company's directors is a partner.

During 2005, management and employees participated in private placement financings at a price of \$2.00 per share. Also 1,000,000 warrants to purchase a total of 1,000,000 voting common shares of the Company were issued to management and employees as part of the May, 2005 private placement.

As part of the acquisition of the JV companies, an amount was due to a shareholder consisting of demand promissory notes totaling \$1,050,000. The amount due to shareholder was paid during the period ended September 30, 2005.

At September 30, 2005, there was \$800 in accounts payable outstanding to a company controlled by an officer and director in payment of a gross overriding royalty on certain Company lands.

12. CASH FLOW INFORMATION

During the period the Company made the following cash outlays in respect of interest expense and current income taxes.

	Period from December 23, 2004 to September 30, 2005
Interest	\$ 29,622
Current income taxes	\$ 32,617

13. COMMITMENTS AND CONTINGENCIES

At September 30, 2005, the Company had commitments for the lease of office space totaling \$21,183 for the remainder of 2005, \$102,399 in 2006 and \$27,072 in 2007. The Company also has a commitment for natural gas transportation as follows: 2006 - \$10,721; 2007 - \$126,226; 2008 - \$126,226; and 2009 - \$31,124.

The refundable investment tax credits totaling \$844,000 the Company received and accrued related to the years ended September 30, 2002, 2001 and 2000 are subject to review and audit by the Canada Revenue Agency. Although the Company has used its best judgment and understanding of the related income tax legislation in determining these amounts, it is possible that the amounts could change by a material amount in the near term, dependent on the review and audit by the Canadian Revenue Agency.

14. SUBSEQUENT EVENT

In October, 2005, the Company completed a private placement financing of 140,000 units, at the price of \$2.00 per unit for total proceeds of \$280,000. Each unit consisted of one voting common share and a warrant (the "Warrants") to purchase a total of 92,226 voting common shares of the Company. The Warrants have an exercise price of \$2.50, are to vest 30 months from the date of issuance and, upon vesting, are exercisable for a period of 30 days.

Corporate Information

Officers

Brian A. McLachlan, PGeol

President and Chief Executive Officer

Clark W. Drader

Vice President, Land

Barry J. Stobo, PEng

Vice President, Engineering and Chief Operating Officer

Wendy S. Woolsey, CA

Vice President, Finance and Chief Financial Officer

Directors

Terry Svarich, Chairman

Bruce Allford

Peter Kurceba

Brian McLachlan

Kevin Olson

Gary Perron

Auditors

KMPG LLP

Bankers

National Bank of Canada

Evaluation Engineers

GLJ Petroleum Consultants

Legal Counsel

Burnet Duckworth & Palmer LLP

Registrar and Transfer Agent

Valiant Trust Company

TSX Venture Exchange

Trading Symbol: YO

Abbreviations

bbl.....	barrel
mbbl.....	thousands of barrels
mcf.....	thousand cubic feet
mmcf.....	million cubic feet
boe.....	barrels of oil equivalent (6:1) *
mboe.....	thousand barrels of oil equivalent
boe/d.....	barrels of oil equivalent per day
bbl/d.....	barrels per day
mcf/d.....	thousand cubic feet per day

* In conformity with National Instrument 51-101, standards for Disclosure for Oil and Gas Activities ("NI 51-101"), natural gas volumes have been converted to barrels of oil equivalent ("boe") using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil. This ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Readers are cautioned that the term "boe" may be misleading, particularly if used in isolation.



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